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Trade Policy Monitoring

EU-Mercosur FTA Talks to restart in November

2005

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Report Highlights:
Following high level discussions in Brussels, negotiations between the EU and Mercosur group of countries (Argentina, Brazil, Paraguay and Uruguay) will restart in November. Talks had collapsed in fall 2004, but are now set to restart with technical negotiations set for November 2005, February 2006 and a high level meeting early in 2006, likely March.
Mercosur countries are seeking additional tariff liberalisation for their agricultural exports, while the EU is keen to gain additional access to Mercosur telecommunications and financial sectors.

Includes PSD Changes: No
Includes Trade Matrix: No
Brussels USEU [BE2]Unscheduled Report
[E3]

A year after EU-Mercosur Free Trade Area (FTA) negotiations broke off, high-level negotiators in Brussels have agreed on a timetable to restart discussions over the next six months. This follows several attempts over the past couple of months to reinvigorate talks. The negotiations are expected to cover all areas of trade including agriculture, services and industrial goods.

Discussions in Brussels on the EU-Mercosur FTA this week between European Commissioners for External Relations, Ferrero Wagner; for Trade, Mandelson; and for agriculture, Fisher Boel, with Mercosur Ministerial level counterparts have established a timetable to pick up negotiations. In November, senior negotiators will meet. It is expected that both sides will use this meeting to present exactly what each is offering. There will be further technical level negotiations in February. A Ministerial level meeting for "substantive negotiations" is slated for early 2006, with March currently penciled in.

Last year's talks were reported as having broken down due to Mercosur demands for greater access to EU agricultural markets and the EU wanting better access to Mercosur service sectors, for example, in the financial and telecommunications fields.

It is not known from what base the negotiations will restart, though it is likely to be similar to the previous offers made by either side. Attached below is a summary of the agricultural market access offered by the EU to Mercosur. The EU side stated at the meeting that the Commission's previous offer covered 99% of Mercosur agricultural exports to the EU, with full liberalisation on some 88% of exports (after the full ten year implementation period), in addition TRQs would be improved by 9%. They are also keen to stick to their 'single pocket' approach where the results are linked to the outcome of the Doha Round so that the EU doesn't have to (in their words) 'pay twice' i.e. cut tariffs any more than necessary.

Argentine Economics Minister Roberto Lavagna is reported as saying that the EU had accepted that the liberalisation should be slower in Mercosur (known as 'special and differential access in trade jargon).

In 2004, the EU imported over $17 bn agricultural goods from Mercosur, or 22% of total agricultural imports, compared to $8 bn, or 10.7%, from the U.S. (Source: Eurostat, WTO definition of agricultural goods).

From GAIN Report E34018, May 2004, "EU-Mercosur Bilateral Trade Negotiations – Update"[1]:

EU Offer to Mercosur:

Annex One – Full liberalization within ten years

Includes durum wheat, high quality wheat, flour, barley, wheat gluten, malt, eggs, pig fat, some wines.

Annex Two – 50% reduction in import tariffs over ten years

Includes olive oil, starch, sugar cane molasses, tobacco, preserved fruits, some fruit juices, broken rice.

[1] http://www.fas.usda.gov/gainfiles/200406/146106512.pdf

Annex Three – Sensitive Products

MT	**Mercosur**	**WTO**
Bio-ethanol	500,000	500,000
Corn	400,000	300,000
Low quality wheat	100,000	100,000
Rice	20,000	20,000
Cheese	10,000	10,000
Butter	2,000	2,000
Milk and cream powders	6,500	6,500
High quality beef	50,000	50,000
Poultry products	37,500	37,500
Pigmeat products	6,000	5,000
Garlic	5,000	5,000

The sensitive products are expected to have TRQs with tariffs reductions phased in to the equivalent of "50% of the lowest of the bound in-quota duty rates for the existing WTO bound tariff quotas for the relevant product". For products with no bound TRQ, arrangements will be negotiated later, as with the administrative organization of the TRQs.

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